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HOSPITAL FUNDING CHANGES FY2003-05 IN THE WAKE OF MEDICALLY INDIGENT PROGRAM BUDGET CUT

OLYMPIA, Wash. -- The Legislature cut the $100 million Medically Indigent (MI) program from MAA's budget. This program reimbursed hospitals for a portion of their costs treating uninsured people, primarily patients in emergency situations who were qualified retroactively for MI funding.

To partially compensate providers for some of this loss in payment, the Legislature also expanded MAA's hospital payment programs by about $40 million over the next two fiscal years. These payments -- called Disproportionate Share-Hospital (DSH) funds -- actually involve several different MAA programs, including several million dollars that the Legislature specifically earmarked for small rural hospitals, some of whom operate on very tight margins. Some additional hospital funding will also come from grants out of a trauma fund that reimburses trauma centers -- hospitals set up to handle more severe emergency medical events -- for the additional equipment, specialists, etc., they must maintain to treat these cases and to keep their trauma status.

All these payments are distributed to hospitals with complicated formulas that take into account the uncompensated and charity care hospitals provide, and the formulas recognize hospitals that treat a disproportionate share of low-income patients, as well as other details of hospital operations. Hospitals report that information to MAA as part of their Medicaid reporting requirements, and different payment programs apply to different kinds of hospitals.

It is impossible in advance to say specifically how the various hospitals around the state will share the $40 million. However, the Legislature's intent expressed in budget notes is that the funds be used to mitigate the effect of cutting the MI program with special consideration given to less-profitable hospitals. MAA will be working on rules and formulas that will implement that intent in FY2003-05.

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